

ATTICA TOWNSHIP

ATTICA, MICHIGAN

AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Attica Township	County Lapeer
Audit Date 6/30/05	Opinion Date 9/21/05	Date Accountant Report Submitted to State: 11/17/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Lewis & Knopf, P.C.

Street Address

5206 Gateway Centre - Ste 100

City

Flint

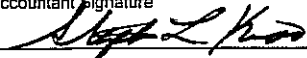
State

MI

ZIP

48507

Accountant Signature



Date

11/16/05

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Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

September 21, 2005

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
of Attica Township

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Attica Township, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Attica Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Attica Township as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2005 on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages II - VIII and 12 - 14, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Attica Township's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lewis & Knopf P.C.
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ATTICA TOWNSHIP - ATTICA, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

As management of Attica Township, we offer readers of Attica Township's financial statements this narrative overview and analysis of the financial activities of Attica Township for the year ended June 30, 2005. In the future, comparative analysis will be provided when prior year information becomes available.

FINANCIAL HIGHLIGHTS

- A. The assets of the Township exceeded its liabilities at the close of the most recent year by \$1,480,913 (net assets).
- B. The Township's total net assets increased by \$171,020 for the year ended June 30, 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to Attica Township's basic financial statements. The Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary and additional information in addition to the basic financial statements themselves.

Government-Wide Financial Statements:

The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reports as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g. delinquent personal property taxes).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

ATTICA TOWNSHIP - ATTICA, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Fund Financial Statements: (Continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 3 through 4 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 5 through 11 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. The other supplementary information can be found on pages 15 through 20 of this report.

SUMMARY OF NET ASSETS:

The following summarizes the net assets at the years ended June 30, 2005 and 2004:

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Current Assets	\$706,459	\$366,474
Noncurrent Assets	<u>1,703,022</u>	<u>1,513,245</u>
<u>TOTAL ASSETS</u>	<u>\$2,409,481</u>	<u>\$1,879,719</u>
Current Liabilities	\$396,971	\$180,001
Noncurrent Liabilities	<u>531,597</u>	<u>389,825</u>
Total Liabilities	<u>\$928,568</u>	<u>\$569,826</u>
Net Assets		
Invested in Capital Assets – Net of Debt	1,045,853	980,423
Restricted - Debt Retirement	27,012	0
Restricted - Capital Projects	71,425	0
Unrestricted	<u>336,623</u>	<u>329,470</u>
Total Net Assets	<u>\$1,480,913</u>	<u>\$1,309,893</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$2,409,481</u>	<u>\$1,879,719</u>

ATTICA TOWNSHIP - ATTICA, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

RESULTS OF OPERATIONS:

For the years ended June 30, 2005 and 2004, the Township's results of operations were:

	<u>2005</u>	<u>2004</u>
Revenues:		
Program Revenues:		
Charges for Services	\$122,655	\$135,521
Operating Grants	0	85,149
General Revenues:		
Property Taxes	620,675	534,870
State Sources	319,542	337,848
Investment Earnings	8,110	2,896
Sale of Fixed Assets	0	109,740
Other	30,785	6,562
Total Revenues	<u>\$1,101,767</u>	<u>\$1,212,586</u>
Functions/Program Expenses:		
General Government	314,457	327,866
Public Safety	354,329	345,977
Public Works	193,603	150,540
Parks and Recreation	40,402	35,828
Interest on Long-Term Obligations	27,956	31,224
Total Expenses	<u>\$930,747</u>	<u>\$891,435</u>
<u>INCREASE IN NET ASSETS</u>	\$171,020	\$321,151
<u>BEGINNING NET ASSETS</u>	<u>1,309,893</u>	<u>988,742</u>
<u>NET ASSETS - ENDING</u>	<u><u>\$1,480,913</u></u>	<u><u>\$1,309,893</u></u>

ATTICA TOWNSHIP - ATTICA, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Financial Position:

During the year ended June 30, 2005, the Township's Total Net Assets increased by \$171,020 to a total of \$1,480,913. The largest portion of the net assets are the Township's investment in capital assets. Net assets (invested in capital assets, net of related debt) increased by \$65,430 during the year due to purchases of new capital assets and principal payments on related debt exceeding depreciation. The Township's Unrestricted Net Assets increased by \$7,153 during the year and the restricted portion of the net assets increased by \$98,437. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted debt retirement funds that may only be used to pay bonded debt.

Analysis of Results of Operations

The Township's overall revenues exceeded its expenditures by \$171,020 for the year. Revenues decreased by \$110,819 from last year, primarily from decreases in operating grants and sale of fixed assets. Expenses increased by \$39,312 from last year primarily from an increase in payroll and payroll taxes, increase in police contract and road maintenance.

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS

Analysis of Financial Position

The focus of the Township's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. An analysis of changes for the governmental funds is as follows:

General Fund

The Township's general fund is the chief operating fund of the Township. Unreserved fund balance for the general fund increased by \$363 during the year with the increase coming primarily from an increase in cash. Revenues for the year decreased by \$133,303 primarily due to decreases in other financing sources and sale of fixed assets. Expenditures and other financing uses decreased by \$46,140, primarily due to decreases in attorney fees and in prior year the Township had a land purchase.

Public Safety Fund

Unreserved fund balance for the public safety fund decreased by \$3,000 during the year with the decrease coming primarily from a decrease in cash. Revenues for the year decreased by \$74,769 primarily due to decreases in public safety grants. Expenditures and other financing uses decreased by \$73,886, primarily due to decreases in purchases of new equipment and reduction in debt and interest payments.

Fire Fund

Unreserved fund balance for the fire fund increased by \$11,853 during the year with the increase coming primarily from an increase in cash. Revenues for the year decreased by \$17,067 primarily due to decreases in transfers from other funds. Expenditures and other financing uses decreased by \$28,920, primarily due to decreases in purchases of new equipment.

Debt Retirement Fund

Restricted fund balance for the debt retirement fund increased by \$27,012 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$50,000 primarily due to the collection of special assessments. Expenditures and other financing uses increased by \$23,048, primarily due to debt principal and interest payments.

Capital Projects Fund

Restricted fund balance for the capital projects fund increased by \$71,425 during the year with the increase coming primarily from an increase in cash. Revenues for the year increased by \$291,788 primarily due to issuance of bonds. Expenditures and other financing uses increased by \$220,363, primarily due to increase in construction in progress.

ATTICA TOWNSHIP - ATTICA, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES

GENERAL FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenues	\$586,005	\$586,005	\$718,841	0.00	22.67
Expenditures	775,619	775,619	718,478	0.00	7.37
<u>TOTAL</u>	<u>(\$189,614)</u>	<u>(\$189,614)</u>	<u>\$363</u>		

PUBLIC SAFETY FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenues	\$208,231	\$208,231	\$207,969	0.00	0.13
Expenditures	208,223	208,223	210,969	0.00	1.32
<u>TOTAL</u>	<u>\$8</u>	<u>\$8</u>	<u>(\$3,000)</u>		

FIRE FUND BUDGET VS. ACTUAL

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Original & Final <u>Budget %</u>	Variance Actual & Final Budget %
Revenues	\$123,204	\$123,204	\$123,109	0.00	0.08
Expenditures	119,250	119,250	111,256	0.00	6.70
<u>TOTAL</u>	<u>\$3,954</u>	<u>\$3,954</u>	<u>\$11,853</u>		

Original vs. Final Budgets

General Fund

Revenues and Expenditures

There were no variations between the original and final budget.

Actual Results vs. Final Budgets

Revenues

Significant variations between actual results and final budgets for the general fund were due because the Township collected more state shared revenue than expected and had reimbursements from the capital project fund for prior bond expenses.

Expenditures

Significant variations between actual results and final budgets for the general fund were due to the Township budgeting for contingencies and Township improvements but there were no actual expenses for these items.

ATTICA TOWNSHIP - ATTICA, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

Original vs. Final Budgets

Public Safety Fund

Revenues and Expenditures

There were no variations between the original and final budget.

Actual Results vs. Final Budgets

Revenues and Expenditures

There were no significant variations between actual results and final budgets for the public safety fund.

Original vs. Final Budgets

Fire Fund

Revenues and Expenditures

There were no variations between the original and final budget.

Actual Results vs. Final Budgets

Revenues

There were no significant variations between actual results and final budgets for the fire fund.

Expenditures

Significant variations between actual results and final budgets for the fire fund were due to the Township not purchasing as much new equipment as planned.

CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

The Township's net investment in capital assets decreased by \$30,586 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
Capital Assets	\$1,836,662	\$50,000	\$0	\$1,886,662
Less: Accumulated Depreciation	(323,417)	(80,586)	0	(404,003)
<u>Net Investment Capital Outlay</u>	<u>\$1,513,245</u>	<u>(\$30,586)</u>	<u>\$0</u>	<u>\$1,482,659</u>

Significant additions were due to a deposit on a fire truck.

ATTICA TOWNSHIP - ATTICA, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

B. Debt, Principal Payments

The Township made principal payments on bonded, long term debt obligations that reduced the amount of the Township's long term liabilities as follows:

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005
<u>Governmental Activities:</u>				
Bonds Payable	\$0	\$290,000	\$15,000	\$275,000
Notes Payable	532,822	0	150,653	382,169
 <u>TOTAL</u>	 <u>\$532,822</u>	 <u>\$290,000</u>	 <u>\$165,653</u>	 <u>\$657,169</u>

The Township has issued special assessment bonds. These bonds were issued July 8, 2004 in the amount of \$290,000 bearing interest at 4.50% per annum. The balance of the bonds as of June 30, 2005 was \$275,000.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the Township's finances. If you have questions about this report or need additional information, contact the Business Office, Attica Township.

ATTICA TOWNSHIP
STATEMENTS OF NET ASSETS
JUNE 30, 2005 AND 2004

	Governmental Activities	
	2005	2004
<hr/>		
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash	\$409,732	\$288,790
Accounts Receivable	56,786	76,006
Taxes Receivable	239,941	1,678
Total Current Assets	<u>\$706,459</u>	<u>\$366,474</u>
<u>NON-CURRENT ASSETS</u>		
Construction in Progress	220,363	0
Capital Assets	1,886,662	1,836,662
Less: Accumulated Depreciation	(404,003)	(323,417)
Total Noncurrent Assets	<u>\$1,703,022</u>	<u>\$1,513,245</u>
<u>TOTAL ASSETS</u>	<u>\$2,409,481</u>	<u>\$1,879,719</u>
<hr/>		
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Accounts Payable	29,395	37,004
Deferred Revenue	239,941	0
Accrued Interest	2,063	0
Current Portion of Long-Term Obligations	125,572	142,997
Total Current Liabilities	<u>\$396,971</u>	<u>\$180,001</u>
<u>NON-CURRENT LIABILITIES</u>		
Noncurrent Portion of Long-Term Obligations	<u>531,597</u>	<u>389,825</u>
<u>TOTAL LIABILITIES</u>	<u>\$928,568</u>	<u>\$569,826</u>
<hr/>		
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	1,045,853	980,423
Restricted - Debt Retirement	27,012	0
Restricted - Capital Projects	71,425	0
Unrestricted	<u>336,623</u>	<u>329,470</u>
<u>TOTAL NET ASSETS</u>	<u>\$1,480,913</u>	<u>\$1,309,893</u>

See accompanying notes to the basic financial statements.

ATTICA TOWNSHIP
STATEMENTS OF ACTIVITIES
JUNE 30, 2005 AND 2004

FUNCTIONS/PROGRAMS	2005			2004
	Program Revenues		Net (Expense)	Net (Expense)
	Expenses	Charges For Services	Operating Grants and Contributions	Revenue & Change in Net Assets
Governmental Activities:				
General Government	\$314,457	\$57,408	\$0	(\$257,049)
Public Safety	354,329	65,247	0	(289,082)
Public Works	193,603	0	0	(193,603)
Parks and Recreation	40,402	0	0	(40,402)
Interest - Long-Term Obligations	27,956	0	0	(27,956)
TOTALS	\$930,747	\$122,655	\$0	(\$808,092)
General Revenues:				
Property Taxes				620,675
State Revenue				319,542
Investment Earnings				8,110
Sale of Fixed Assets				0
Miscellaneous				30,785
Total General Revenues and Transfers				\$979,112
Change in Net Assets				\$171,020
Net Assets - Beginning				1,309,893
<u>Net Assets - Ending</u>				<u>\$1,480,913</u>

See accompanying notes to the basic financial statements.

ATTICA TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	General Fund	Public Safety Fund	Fire Fund	Capital Projects Fund	Debt Retirement Fund
<u>ASSETS</u>					
Cash	\$259,482	\$39,960	\$11,853	\$98,437	\$0
Accounts Receivable	56,786	0	0	0	0
Special Assessments Receivable	0	0	0	0	239,941
Due from Other Funds	0	0	0	0	27,012
<u>TOTAL ASSETS</u>	<u>\$316,268</u>	<u>\$39,960</u>	<u>\$11,853</u>	<u>\$98,437</u>	<u>\$266,953</u>
<u>LIABILITIES</u>					
Accounts Payable	\$29,395	\$0	\$0	\$0	\$0
Due to Other Funds	0	0	0	27,012	0
Deferred Revenue	0	0	0	0	239,941
Total Liabilities	\$29,395	\$0	\$0	\$27,012	\$239,941
<u>FUND BALANCES</u>					
Designated	61,959	0	0	0	0
Restricted - Debt Retirement	0			0	27,012
Restricted - Capital Projects	0			71,425	0
Unreserved	224,914	39,960	11,853	0	0
Total Fund Balances	\$286,873	\$39,960	\$11,853	\$71,425	\$27,012
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$316,268</u>	<u>\$39,960</u>	<u>\$11,853</u>	<u>\$98,437</u>	<u>\$266,953</u>

See accompanying notes to the basic financial statements.

ATTICA TOWNSHIP
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2005

Total Governmental Funds	Total Governmental Fund Balances:	\$437,123
\$409,732	Amounts reported for governmental activities in the statement of net assets are different because:	
56,786	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$2,094,525 and the accumulated depreciation is \$404,003	1,482,659
239,941		
27,012		
\$733,471	Construction in Progress	220,363
\$29,395	Accrued Interest on Long-Term Debt	(2,063)
27,012		
239,941	Long-term liabilities, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
\$296,348		
61,959	Notes Payable	(382,169)
27,012	Bonds Payable	(275,000)
71,425	Total Long-Term Liabilities	(657,169)
276,727		
\$437,123	<u>TOTAL NET ASSETS -</u>	
	<u>GOVERNMENTAL ACTIVITIES</u>	<u>\$1,480,913</u>
\$733,471		

ATTICA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Public Safety Fund	Fire Fund	Capital Projects Fund	Debt Retirement Fund
<u>REVENUES</u>					
Taxes	\$239,654	\$207,852	\$123,109	\$0	\$50,060
State Shared Revenues	319,542	0	0	0	0
Licenses, Permits and Fees	3,288	0	0	0	0
Interest Income	6,322	0	0	1,788	0
Cemetery Income	16,615	0	0	0	0
Township Hall Rental	17,975	0	0	0	0
Fine and Forfeitures	3,169	0	0	0	0
Other Charges for Services	81,608	0	0	0	0
Miscellaneous Revenues	30,668	117	0	0	0
Total Revenues	<u>\$718,841</u>	<u>\$207,969</u>	<u>\$123,109</u>	<u>\$1,788</u>	<u>\$50,060</u>
<u>EXPENDITURES</u>					
General Government	313,668	0	0	0	0
Public Safety	174,805	50,000	111,256	0	0
Public Works	193,603	0	0	0	0
Parks and Recreation	36,402	0	0	0	0
Capital Projects					
Bond Costs	0	0	0	2,697	0
Attorney Fees	0	0	0	8,365	0
Capital Outlay	0	0	0	207,863	0
Miscellaneous	0	0	0	1,438	0
Debt Service					
Principal	0	143,124	0	0	15,000
Interest	0	17,845	0	0	8,048
Total Expenditures	<u>\$718,478</u>	<u>\$210,969</u>	<u>\$111,256</u>	<u>\$220,363</u>	<u>\$23,048</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$363	(\$3,000)	\$11,853	(\$218,575)	\$27,012
<u>OTHER FINANCING SOURCES (USES)</u>					
Bond Proceeds	0	0	0	290,000	0
Net Change in Fund Balance	<u>\$363</u>	<u>(\$3,000)</u>	<u>\$11,853</u>	<u>\$71,425</u>	<u>\$27,012</u>
<u>FUND BALANCE - BEGINNING</u>	<u>286,510</u>	<u>42,960</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>FUND BALANCE - ENDING</u>	<u>\$286,873</u>	<u>\$39,960</u>	<u>\$11,853</u>	<u>\$71,425</u>	<u>\$27,012</u>

See accompanying notes to the basic financial statements.

ATTICA TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Total Governmental Funds	Total net change in fund balances - governmental funds	\$107,653
\$620,675	Amounts reported for governmental activities in the statement of activities are different because:	
319,542	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(30,586)
3,288		
8,110		
16,615		
17,975		
3,169		
81,608	Construction in Progress	220,363
30,785		
\$1,101,767	Proceeds from the sale of bonds	(290,000)
	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	165,653
313,668		
336,061		
193,603		
36,402	Change in accrued interest on long-term liabilities	(2,063)
2,697	<u>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	<u>\$171,020</u>
8,365		
207,863		
1,438		
158,124		
25,893		
\$1,284,114		
(\$182,347)		
290,000		
\$107,653		
329,470		
\$437,123		

ATTICA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

1) REPORTING ENTITY

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. The Township receives funding from local, state and federal government sources and must comply with the accompanying requirements of these funding sources. However, the Township is not included in any other governmental "reporting entity" as defined by GASB pronouncements since the Township Board is a publicly elected governing body that has separate legal standing and is fiscally independent of other governmental entities. As such, the Board of Trustees has decision making authority, the authority to levy taxes and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Attica Township conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the Township’s overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the Township’s activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The Township’s basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township’s major funds). The government-wide financial statements categorize primary activities as either governmental or business type. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township’s net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township’s functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

ATTICA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS (Continued)

GOVERNMENTAL FUNDS

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes and state distributions, grants and other intergovernmental revenues.

Special Revenue Fund – Public Safety and Fire Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Retirement Fund

The Debt Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the significant construction projects of the Township.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The Township reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the Township receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

ATTICA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include amounts in demand deposits and certificates of deposit.

The Township reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

E) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. In accordance with the provisions of GASB 34, the Township has elected to capitalize the cost of governmental fund infrastructure assets after the implementation date of GASB 34. Prior acquisitions or construction costs of infrastructure assets will not be recorded.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u> <u>Estimated Lives</u>
Building and Improvements	15 – 50 Years
Furniture and Equipment	5 – 20 Years
Vehicles	5 – 10 Years
Land	N/A

F) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets.

ATTICA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Township or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

H) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

I) BUDGETS

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Two to three months prior to the beginning of the ensuing fiscal year, the Township Board reviews a proposed operating budget which includes proposed revenues and expenditures.
- 2) Prior to the beginning of the ensuing fiscal year, the Township Board passes a general appropriations act reflecting formal budget approval in accordance with the Michigan Uniform Budget Act.
- 3) Budgets for the general and special revenue funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- 4) Budgeted amounts in this report are as originally adopted or as amended by the Township Board. Amendments were not material in relation to the original appropriations which were amended.

J) COMPENSATED ABSENCES

Under agreements with the Township, individual employees have a vested right to receive payments for unused sick leave under formulas and conditions specified in the agreements. As of June 30, 2005, substantially all of these benefits had been paid and are reflected in the financial statements.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGET VIOLATIONS

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2005, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

The Township did not adopt a budget for the debt retirement and capital projects funds for the year ended June 30, 2005.

ATTICA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

4) DEPOSITS AND INVESTMENTS

As of June 30, 2005, the Township had no investments.

Interest rate risk. In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2005, the Township's investment in the investment pool was rated AAA by Standards & Poor's and AAA by Moody's Investors Service. The Township's investments in commercial paper were rated A1 by Standard & Poor's, F-1 by Fitch Ratings, and P-1 by Moody's Investors Service. The Township's investments in corporate bonds were rated AAA by Standard & Poor's and Fitch Ratings, and AAA by Moody's Investors Service.

Concentration of credit risk. The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2005, \$250,604 of the Township's bank balance of \$416,735 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

5) INTERFUND ACTIVITY

Interfund balances at June 30, 2005 consisted of the following:

DUE TO	DUE FROM	
	DEBT	
	RETIREMENT	
	FUND	
Capital Projects Fund		<u>\$27,012</u>

These balances resulted from (1) transactions are recorded in the accounting systems, and (2) payments between funds are made.

6) PROPERTY TAXES

Property taxes are levied on December 1 and July 1 on the assessed value determined as of December 31 of the preceding year for all taxable real and personal property located in the Township. Property tax revenue is recognized in the fiscal year for which taxes have been levied.

ATTICA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

7) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$885,669	\$0	\$0	\$885,669
Machinery and Equipment	81,512	0	0	81,512
Land	214,650	0	0	214,650
Land Improvements	108,000	0	0	108,000
Vehicles	546,831	50,000	0	596,831
Totals at Historical Cost	\$1,836,662	\$50,000	\$0	\$1,886,662
Less: Accumulated Depreciation				
Buildings and Improvements	(75,460)	(17,533)	0	(92,993)
Machinery and Equipment	(25,375)	(10,527)	0	(35,902)
Land Improvements	(51,600)	(4,000)	0	(55,600)
Vehicles	(170,982)	(48,526)	0	(219,508)
Total Accumulated Depreciation	(\$323,417)	(\$80,586)	\$0	(\$404,003)
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$1,513,245</u>	<u>(\$30,586)</u>	<u>\$0</u>	<u>\$1,482,659</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

General Government	\$ 8,318
Public Safety	68,268
Parks and Recreation	4,000
<u>TOTAL</u>	<u>\$ 80,586</u>

8) PENSION PLAN

The Township has a single-employer defined contribution pension plan covering all eligible employees who wish to participate. Investments are made through Manufacturers Life Insurance Company. Benefits are immediately 100 percent vested with the benefit payable at age 65 (normal retirement age), or after 10 years of participation or age 80, if sooner. Contributions to the plan during the year ended June 30, 2005 amounted to \$18,741.

The Township also has a 457 Deferred Compensation Plan. The plan is offered to all eligible individuals and investments are made through Harbour Investments. As of June 30, 2005, no employees of the Township were participating in the plan.

9) GENERAL LONG-TERM DEBT

A) 2004 Special Assessment Bonds

The Township has issued special assessment bonds. These bonds were issued July 8, 2004 in the amount of \$290,000 bearing interest at 4.50% per annum. The balance of the bonds as of June 30, 2005 was \$275,000.

ATTICA TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005

9) GENERAL LONG-TERM DEBT (Continued)

B) General obligation notes payable at June 30, 2005 consisted of the following:

General Obligation Note Payable to Lapeer County Bank & Trust, payable in monthly installments of \$705 with interest at 2.75% per annum. Secured by land. Matures in April, 2009.	\$ 30,740
General Obligation Note Payable to Lapeer County Bank & Trust, payable in annual installments of \$87,857 plus interest at 3.9% per annum. Matures on April 1, 2009, secured by new fire hall building.	351,429
<u>TOTAL</u>	<u>\$ 382,169</u>

C) Annual Principal Requirements

<u>JUNE 30</u>	<u>Bonds</u>	<u>Notes</u>	<u>Interest</u>	<u>Total</u>
2006	\$30,000	\$95,572	\$26,156	\$151,728
2007	30,000	95,787	21,165	146,952
2008	30,000	96,008	16,167	142,175
2009	30,000	94,802	11,165	135,967
2010	30,000	0	6,976	36,976
2011-2014	125,000	0	10,916	135,916
<u>TOTAL</u>	<u>\$275,000</u>	<u>\$382,169</u>	<u>\$92,545</u>	<u>\$749,714</u>

The interest expenditures on long-term obligations for the year were \$26,850 .

D) Changes in General Long-Term Debt

	BALANCE JULY 1, 2004	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2005	AMOUNT DUE IN ONE YEAR
<u>Governmental Activities:</u>					
Bonds Payable	\$0	\$290,000	\$15,000	\$275,000	\$30,000
Note Payable - Fire Hall	439,286	0	87,857	351,429	87,857
Note Payable - Fire Truck	55,267	0	55,267	0	0
Note Payable - Land	38,269	0	7,529	30,740	7,715
<u>TOTAL</u>	<u>\$532,822</u>	<u>\$290,000</u>	<u>\$165,653</u>	<u>\$657,169</u>	<u>\$125,572</u>

10) FUND BALANCE DESIGNATIONS

The Townships board has designated \$61,959 of the Township's General Fund fund balance for the purchase of equipment and repayment of debt.

11) CONTINGENCIES

In the ordinary course of business, the Township is involved in various pending or threatened legal actions. The Township believes that any ultimate liability arising from these actions will not have a material adverse effect on its financial position.

REQUIRED
SUPPLEMENTARY
INFORMATION

ATTICA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget
<u>REVENUES</u>				
Taxes	\$225,305	\$225,305	\$239,654	\$14,349
State Shared Revenues	290,000	290,000	319,542	29,542
Licenses, Permits and Fees	15,500	15,500	3,288	(12,212)
Interest Income	1,000	1,000	6,322	5,322
Cemetery Income	9,000	9,000	16,615	7,615
Township Hall Rental	13,000	13,000	17,975	4,975
Fine and Forfeitures	2,500	2,500	3,169	669
Other Charges for Services	29,700	29,700	81,608	51,908
Miscellaneous Revenues	0	0	30,668	30,668
Total Revenues	\$586,005	\$586,005	\$718,841	\$132,836
<u>EXPENDITURES</u>				
General Government	319,926	330,669	313,668	17,001
Public Safety	187,800	186,475	174,805	11,670
Public Works	167,048	174,084	193,603	(19,519)
Parks and Recreation	34,700	35,200	36,402	(1,202)
Township Improvements	20,000	20,000	0	20,000
Contingency Fund	45,645	28,691	0	28,691
Disaster Relief Fund	500	500	0	500
Total Expenditures	\$775,619	\$775,619	\$718,478	\$57,141
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(\$189,614)	(\$189,614)	\$363	\$189,977
<u>FUND BALANCE - BEGINNING</u>			286,510	
<u>FUND BALANCE - ENDING</u>			\$286,873	

ATTICA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$208,231	\$208,231	\$207,852	(\$379)
Miscellaneous Revenues	<u>0</u>	<u>0</u>	<u>117</u>	<u>117</u>
Total Revenues	\$208,231	\$208,231	\$207,969	(\$262)
<u>EXPENDITURES</u>				
Public Safety	0	0	50,000	(50,000)
Debt Service	<u>208,223</u>	<u>208,223</u>	<u>160,969</u>	<u>47,254</u>
Total Expenditures	\$208,223	\$208,223	\$210,969	(\$2,746)
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$8	\$8	<u>(\$3,000)</u>	(\$3,008)
<u>FUND BALANCE - BEGINNING</u>			<u>42,960</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$39,960</u>	

ATTICA TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Taxes	\$123,204	\$123,204	\$123,109	(\$95)
<u>EXPENDITURES</u>				
Public Safety				
Wages	40,000	40,000	55,031	(15,031)
Dues	500	500	510	(10)
Education and Training	5,000	5,000	7,259	(2,259)
Equipment	29,300	29,300	5,912	23,388
Gas and Oil	1,500	1,500	2,012	(512)
Insurance	16,500	16,500	16,421	79
Medical	2,800	2,800	1,745	1,055
Miscellaneous	3,000	3,000	2,688	312
Repairs	14,000	14,000	11,413	2,587
Telephone	1,250	1,250	1,341	(91)
Utilities	5,400	5,400	6,924	(1,524)
Total Expenditures	<u>\$119,250</u>	<u>\$119,250</u>	<u>\$111,256</u>	<u>\$7,994</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$3,954	\$3,954	\$11,853	\$7,899
<u>FUND BALANCE - BEGINNING</u>			<u>0</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$11,853</u>	

OTHER SUPPLEMENTAL SCHEDULES

ATTICA TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

GENERAL GOVERNMENTTownship Board

Wages	\$10,350
Dues	2,538
Insurance	9,411
Miscellaneous	1,073
Printing	666
Total Township Board	<u>\$24,038</u>

Election

Wages	4,948
Equipment	240
Miscellaneous	333
Printing Equipment	706
Total Election	<u>\$6,227</u>

AdministrativeSupervisor

Wages	33,400
Supplies	960
Mileage	465
Miscellaneous	85
Training	1,288
Total Supervisor	<u>\$36,198</u>

Clerk

Wages	36,333
Computer Expenses	2,074
Dues	140
Education and Training	2,019
Mileage	439
Miscellaneous	26
Supplies	1,825
Total Clerk	<u>\$42,856</u>

Treasurer

Wages	37,052
Computer Expenses	1,595
Education and Training	120
Mileage	51
Supplies	2,272
Total Treasurer	<u>\$41,090</u>

Pension	18,741
Bonds	286
Legal	7,595
Accounting	7,000
Unemployment	588
Payroll Taxes	13,345
Total Administrative	<u>\$167,699</u>

ATTICA TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

GENERAL GOVERNMENT (Continued)

Board of Review

Wages	\$570
Printing	416
Total Board of Review	<u>\$986</u>

Township Hall

Wages	15,877
Land Purchase	8,465
Refunds	7,975
Repairs	6,119
Rubbish Removal	6,560
Supplies	6,978
Telephone	2,793
Utilities	7,368
Total Township Hall	<u>\$62,135</u>

Cemetery

Repairs	7,775
Contract Labor	12,000
Supplies	530
Total Cemetery	<u>\$20,305</u>

Assessor

Wages	18,725
Mileage	288
Miscellaneous	985
Supplies	1,267
Training	82
Total Assessor	<u>\$21,347</u>

House Numbering

Wages	775
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Township Hall Annex

Utilities	297
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Computer Department

Wages	2,000
Supplies	704
Equipment	6,840
Miscellaneous	315
Total Computer Department	<u>\$9,859</u>

Total General Government	\$313,668
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ATTICA TOWNSHIP
GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

PUBLIC SAFETY

Police

Contract Service	\$104,678
Gas and Oil	3,886
Total Police	<u>\$108,564</u>

Planning and Zoning

Wages	8,195
Contractual Service	18,106
Education and Training	371
Mileage	176
Miscellaneous	3,727
Printing	753
Supplies and Miscellaneous	1,836
Zoning Refunds	1,500
Total Planning and Zoning	<u>\$34,664</u>

Ambulance

Special Assessment	<u>31,577</u>
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Total Public Safety	\$174,805
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PUBLIC WORKS

Road Maintenance	186,346
Street Lights	5,162
Drain-at-Large	2,095
Total Public Works	<u>\$193,603</u>

PARKS AND RECREATION

Wages	24,987
Supplies	3,191
Miscellaneous	3,894
Mileage	152
Fuel and Oil	1,095
Equipment and Improvement	3,083
Total Parks and Recreation	<u>\$36,402</u>

TOTAL EXPENDITURES

\$718,478

ATTICA TOWNSHIP
FIRE FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2005

PUBLIC SAFETYFire Department

Wages	\$55,031
Dues	510
Education and Training	7,259
Equipment	5,912
Gas and Oil	2,012
Insurance	16,421
Medical	1,745
Miscellaneous	2,688
Repairs	11,413
Telephone	1,341
Utilities	6,924

TOTAL EXPENDITURES

\$111,256

ATTICA TOWNSHIP
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS
FOR THE YEAR ENDED JUNE 30, 2005

2004 SPECIAL ASSESSMENT BONDS

Original amount of issue - \$290,000

<u>DATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>AMOUNT OCTOBER 1</u>	<u>AMOUNT APRIL 1</u>	<u>TOTAL</u>
2005-2006	\$30,000	\$6,188	\$6,188	\$42,376
2006-2007	30,000	5,513	5,513	41,026
2007-2008	30,000	4,838	4,838	39,676
2008-2009	30,000	4,163	4,163	38,326
2009-2010	30,000	3,488	3,488	36,976
2010-2011	30,000	2,813	2,813	35,626
2011-2012	30,000	2,138	2,138	34,276
2012-2013	30,000	1,463	1,463	32,926
2013-2014	35,000	788	788	36,576
<u>TOTALS</u>	<u>\$275,000</u>	<u>\$31,392</u>	<u>\$31,392</u>	<u>\$337,784</u>



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

September 21, 2005

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Township Board of
Attica Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Attica Township, as of and for the year ended June 30, 2005, which collectively comprise the Attica Township's financial statements and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Attica Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Attica Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of Attica Township, in a separate letter dated September 21, 2005.

This report is intended solely for the information and use of the audit committee, management, Township Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Lewis & Knopf P.C.

LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



Lewis & Knopf, CPAs, P.C.

Serving You with Trust and Integrity

September 21, 2005

To the Council Members of
Attica Township

In planning and performing our audit of the financial statements of Attica Township for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect Attica Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

The following items that are an immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2005, the Attica Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

2. Segregation of Duties

Due to the limited size of the Attica Township's accounting staff, ideal segregation of responsibilities for internal control purposes is difficult. An effective system of internal accounting control consists of an adequate separation of duties so that no one individual handles a transaction from its inception to its completion.

3. Investment Policy

The Board needs to develop and approve an investment policy in accordance with GASB 40.

FUTURE ISSUES

GASB Statement No. 45 was issued in June 2004 and is effective prospectively in three phases in periods beginning after December 15, 2006. For Attica Township, the effective implementation date must begin by June 30, 2008. OPEB are defined as postemployment benefits other than pensions that employees earn during their years of service but that they will not receive until after they retire. They include all postemployment healthcare benefits. They also include any other type of benefits that are provided separately from a pension plan, such as life insurance, legal services, and any other benefits that the employer may provide. OPEB exclude any non-healthcare benefits provided through a pension plan.

The basic premise of GASB No. 45 is that OPEB are earned and should be recognized when the employee provides services, just like wages or salaries paid at the end of each pay period. But because these benefits cannot be used until the employee is no longer working, they are not paid in cash until a date that may extend well into the future.

The Township may wish to begin gathering the nonfinancial information needed to generate their first actuarial valuation of OPEB. Information that will be requested by actuaries will be similar to that used for pension benefit calculations and includes:

- * Listing of all benefits provided by the OPEB plan—as the terms are understood by the employer and the plan members. (This would be a good time to work with employees to convert unwritten/understood benefits to written policy.)



Attica Township
Page 2
September 21, 2005

- * Past OPEB claims experience for the covered group—as far back as needed to create a “credible” experience database or as far back as data is available. (Actuaries will need to use a database for a comparable entity if the government is not able to generate its own database.)
- * Census information about individual active and inactive plan participants, including age, sex, length of service, and so forth.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of the Attica Township's management. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Lewis & Knopf PC
LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS